



DECEMBER 20, 2018

PROJECT NO: 16-102  
VIA US MAIL

**CERTIFIED MAIL NO. 7015 3430 000 7203 2045  
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Ms. Carol Stein  
U.S. Environmental Protection Agency – Region 2  
290 Broadway  
New York, NY 10007-1866

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Ms. Dawn Henry, Esq.  
Virgin Islands Department of Planning and Natural  
Resources  
45 Mars Hill  
Frederiksted, VI 00840

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Mr. Donald G. Frankel  
Senior Counsel  
Environmental Enforcement Section  
Department of Justice  
One Gateway Center  
Suite 616  
Newton, MA 02458

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Claude Walker, ESQ.  
Attorney General  
Department of Justice  
Office of the Attorney General  
334-38 Kronprindsens Gade  
GERS Building, 2nd Floor  
St. Thomas, Virgin Islands 00802

**RE: Proposed 2019 Budget  
Bankruptcy Case No. 1: 15-bk-10003-MFW; EPA ID No. VID980536080**

Dear Ms. Stein, Ms. Henry, Mr. Frankel, Mr. Walker:

The HOVENSA Environmental Response Trust (ERT) has completed an estimated budget for 2019 in accordance with Section 3.2 of the February 17, 2016 ERT Agreement. This estimated budget is built upon known costs from the ERT's routine operating expenses. As per the ERT Agreement, additional Agency approval is required for any deviation by more than ten percent of the agreed upon budget.

Funding for the ERT is provided by four different sources: 1) Accounts established by the ERT ("ERT Accounts"); 2) Two RCRA Financial Assurance (FA) Trusts administered by the EPA ("RCRA FA Trusts"); 3) Up to thirty million dollars provided by Limetree Bay Terminals, LLC ("Limetree") as per the January 4, 2016 Asset Purchase Agreement; and 4) An Escrow Account established specifically to fund the Virgin Islands Territorial Supplemental Environmental Project (TSEP) as per the terms of the Consent Decree (Case No. 1:11-cv-00006). Estimated 2019 expenditures for each funding source are summarized below and details are provided in the enclosed **Table 1**.

## HOVENSA Environmental Response Trust

Ms. Stein, Ms. Henry, Mr. Frankel, Mr. Walker  
US EPA, VI DPNR, US DOJ, VI AG

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Funding Source	2019 Expenditures	Estimated	Available Funding	Funding Intent
ERT Accounts		\$423,898	\$1,797,000 <sup>1</sup>	Working accounts for the ERT
RCRA FA Trusts		\$3,374,760	\$37,318,212 <sup>2</sup>	As specified for designated SWMUs and AOCs
Limetree		\$4,301,350	\$21,535,356 <sup>3</sup>	For ERT expenses not covered by the RCRA FA Trusts
CD Escrow		\$4,556,573	\$4,556,573 <sup>4</sup>	Solely for the VI TSEP

We respectfully request written approval of the budget from each Agency as soon as possible to ensure continued compliance with the ERT Agreement. For your convenience, **Table 1** lists each of the line items in the Wind Down Cost Estimate and specifies which line item each Agency is required to approve as per section 7.13 of the ERT Agreement.

Please note the budget provided herein is for routine work activities at the Site and does not include the budget for Hurricane Maria recovery. The budget for Hurricane Maria recovery work was submitted under separate cover on November 6, 2017 and a revision submitted on March 30, 2018. Hurricane recovery efforts continue and, upon completion of these recovery efforts, a final report will be submitted detailing the work completed and expenditures incurred as a result of hurricane recovery.

The estimated 2019 budget of \$8,100,058 for routine operating expenditures is a reduction from the 2018 budget of \$8,737,433. This reduction is contingent on multiple assumptions including no destructive hurricanes or other natural disasters in 2019. Assumptions tied to the reduction of budget line item 31 (fees for Trust and Trustee) include an assumption that Limetree Bay Terminals, LLC and Limetree Bay Refining, LLC continuing to work collaboratively with the ERT, negotiations to the Shared Services Agreement will conclude in January 2019 and a routine process will occur for the transfer of property to Limetree Bay Refining.

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<sup>1</sup> Available funding as of December 12, 2018.

<sup>2</sup> To date, there have been no disbursements from the RCRA Financial Assurance Trusts. The balance in these accounts increased from \$36,561,000 to \$37,318,212.

<sup>3</sup> To date, the ERT has invoiced Limetree Bay Terminals, LLC a total of \$8,464,643.82 leaving a balance of \$21,535,356.18 available. Of the amount invoiced to date, \$2,603,790.82 was invoiced to cover expenses for work completed in the units covered by the RCRA Financial Assurance Trust. As per the ERT Agreement, when EPA releases funds from the RCRA Financial Assurance Trust \$2,603,790.82 must be returned to Limetree Bay Terminals and the amount of funds available to the ERT will increase accordingly.

<sup>4</sup> To date, \$318,427 has been disbursed from the Consent Decree Escrow Account; It is understood that the funds in this Escrow Account are to be utilized by DPNR at their discretion and in accordance with the terms of the Consent Decree.



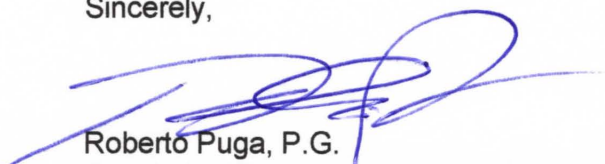
## HOVENSA Environmental Response Trust

Ms. Stein, Ms. Henry, Mr. Frankel, Mr. Walker  
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We are available to meet with each Agency individually or collectively to discuss the 2019 estimated budget. If additional information is required, please contact Carey Guilbeau at (340) 692-3179.

Sincerely,



Roberto Puga, P.G.  
Principal of Project Navigator Ltd., solely in its capacity as Trustee for the HOVENSA Environmental Response Trust

Enclosure

cc: Ms. Amy Chester, EPA Region 2 (Chester.Amy@epa.gov)  
Mr. William Sawyer, EPA Region 2 (Sawyer.William@epa.gov)  
Ms. Flaire Mills, EPA Region 2 (Mills.Flaire@epa.gov)  
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Ms. Kathlyn Worrell-George, VIDPNR (Kathlyn.Worrell-George@dpnr.vi.gov)  
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Mr. Kenneth Milligan, VIDPNR (Kenneth.Milligan@dpnr.vi.gov)  
Ms. Mary Koks, Munsch Hardt Kopf & Harr (MKoks@munsch.com)

Section Chief  
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Ref: DOJ No. 90-5-2-1-08229/2

Chief, Special Projects Branch  
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Chief, Waste and Toxic Substances Branch  
Office of Regional Counsel  
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Chief, Hazardous Waste Programs Branch  
Clean Air and Sustainability Division  
EPA Region 2  
290 Broadway  
New York, NY 10007

Table 1. HOVENSA Environmental Response Trust 2019 Budget

DRAFT

Approval Authority	ERT Account	ERT Agreement Wind Down Estimate Line Items		ERT Account				RCRA Financial Assurance Trusts (Administered by EPA)				Limetree (As per Section 7.33 of the Asset Purchase Agreement)				2019 Totals				Consent Decree Escrow
				Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019	ERT Accounts	RCRA Financial Assurance	Limetree	2019 Totals	
EPA	Remediation	1	PRPP - OWS Testing & Repair									\$44,250	\$44,250	\$44,250	\$44,250			\$177,000	\$177,000	
EPA	Remediation	2	Scrap Metal / Recycle Yard Management									\$465,000	\$465,000	\$465,000	\$465,000			\$1,860,000	\$1,860,000	
EPA	Remediation	3	Asbestos Landfill																\$0	
EPA	Remediation	4	Corrective Action / Remediation / Hydrocarbon Recovery					\$286,000	\$286,000	\$286,000	\$286,000	\$403,000	\$403,000	\$403,000	\$403,000		\$1,144,000	\$1,612,000	\$2,756,000	
EPA	Remediation	5	Landfarm 1 Post-Closure					\$14,190	\$14,190	\$14,190	\$14,190						\$56,760		\$56,760	
EPA	Remediation	6	Landfarm 2 & 3 / RCRA Permit					\$251,000	\$51,000	\$86,000	\$86,000	\$85,000	\$85,000	\$85,000	\$85,000		\$474,000	\$340,000	\$814,000	
DPNR	Remediation	7	TPDES																\$0	
EPA	Remediation	8	WWT (Primary & Secondary)					\$525,000	\$525,000	\$525,000	\$525,000						\$2,100,000		\$2,100,000	
US/VI <sup>1</sup>	Administrative	9	Data & Records Management & Retention									\$30,000	\$30,000	\$5,000	\$5,000			\$70,000	\$70,000	
DPNR	Remediation	10a	Consent Decree - VI TSEP <sup>2</sup>																\$0	\$4,556,573
EPA		10b	Consent Decree - WAPA Project <sup>2</sup>	\$423,898												\$423,898			\$423,898	
DPNR	Remediation	Line 11	Air Permitting / Title V																\$0	
EPA	Remediation	Lines 12 - 24	Tier II, TRI / EI, TSCA, BWON, GHGs, CEMs, Boiler MACT, LDAR, Refinery MACTs, Regional Haze, SO2 non-attainment, SOCM-I-HON, Tank Requirements																\$0	
EPA / DPNR	Remediation	Line 25	Potable Water / SDWA																\$0	
US/VI <sup>1</sup>	Administrative	26	Utilities: Electric																\$0	
US/VI <sup>1</sup>	Administrative	27	Utilities: Compressed Air & Water									\$5,000	\$5,000	\$5,000	\$5,000			\$20,000	\$20,000	
US/VI <sup>1</sup>	Administrative	28	Security																\$0	
US/VI <sup>1</sup>	Administrative	29	Business Operating Expenses									\$20,600	\$20,600	\$20,600	\$20,600			\$82,350	\$82,400	
DPNR	Remediation	30	PLL Insurance Premium																\$0	
US/VI <sup>1</sup>	Administrative	31	Fees for Trust and Trustee									\$50,000	\$50,000	\$50,000	\$50,000			\$200,000	\$200,000	
DPNR	Remediation	N/A	Marine Impact Study																\$0	
TOTALS				Q1 2019 \$423,898	Q2 2019 \$0	Q3 2019 \$0	Q4 2019 \$0	Q1 2019 \$1,076,190	Q2 2019 \$876,190	Q3 2019 \$911,190	Q4 2019 \$911,190	Q1 2019 \$1,102,850	Q2 2019 \$1,102,850	Q3 2019 \$1,077,850	Q4 2019 \$1,077,850	\$423,898	\$3,774,760	\$4,361,350	\$8,560,058	\$4,556,573
2019 ERT BUDGET (Excludes VI TSEP)																			\$8,560,058	

Notes:  
<sup>1</sup> This approval requirement (Section 7.13.5 of the ERT Agreement) is interpreted to mean the U.S. represented by U.S. DOJ and the VI represented by the Virgin Islands Attorney General.  
<sup>2</sup> These expenditures are subject to the terms of the Consent Decree between HOVENSA, L.L.C. and the United States of America (Civil Action No. 1:11-cv-00006)